



An Energy Efficiency Workshop & Exposition  
Palm Springs, California

## *Department of Defense Utilities Privatization*

Office of the  
Deputy Under Secretary of Defense  
(Installations and Environment)  
Utilities and Energy Use Directorate

**CAPTAIN Rick Marrs**



## *Program Objectives*

### **Support the WAR FIGHTER**

- **Create reliable and dependable utilities**
- **Take advantage of industry's  
innovations, practices and finances**



## *Program Intent*

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- **Utilities ownership is not a DoD Core Business**
- **Historically utilities system sustainment has been under funded**
- **Utilities Privatization is the preferred tool for meeting objectives**

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## *History*

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- **Privatization efforts began in early 1990s**
- **In 1997 DoD directed Services to plan to privatize all utility systems**
  - **Electric, Water, Waste Water and Natural Gas**
- **Progress slower than originally envisioned**

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## *Why Slow?*

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- **Process is complex and time-consuming**
  - **New, unique initiative with many lessons**
  - **Services encouraged to bundle systems**
    - **Complicates analysis and decision making process**
      - 4 systems have 15 possible combinations
      - Some solicitations bundle more than 30 systems
- **Many unforeseen barriers**

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## *Past 6 months*

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- **Addressing lessons learned**
- **Developing and reviewing Master Plans**
- **Discussing issues with industry**
- **Changing policy or obtaining waivers**

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## *Progress*

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- **Obtained deviation to Federal Acquisition Regulations (FAR) Part 31 to allow interest**
- **Authorized UPEAST as economic tool**
  - [www.acq.osd.mil/installation/utilities/support/east.htm](http://www.acq.osd.mil/installation/utilities/support/east.htm)
- **Improved solicitation process**
- **New guidance nearly ready**

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## *New Defense Guidance*

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- **Reflects Service's execution plans and input**
- **Provides provisions to ensure reliable utilities**
- **Requires consistent economic analysis**
- **Encourages industry participation and competition**
- **Addresses issues identified by Industry and Services**
  - **Interest, reversionary clauses, Federal Tax, CAS, etc.**

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## *DoD is a New Market*

**Utility Privatization establishes new partnership with the utility industry**

- **Federal Acquisition Regulations (FAR)**
- **Communication will ensure that all parties understand**
  - Upgrades required to meet industry standards
  - Some business practices may need adjustment
- **“Partner” relationships will mitigate risks**

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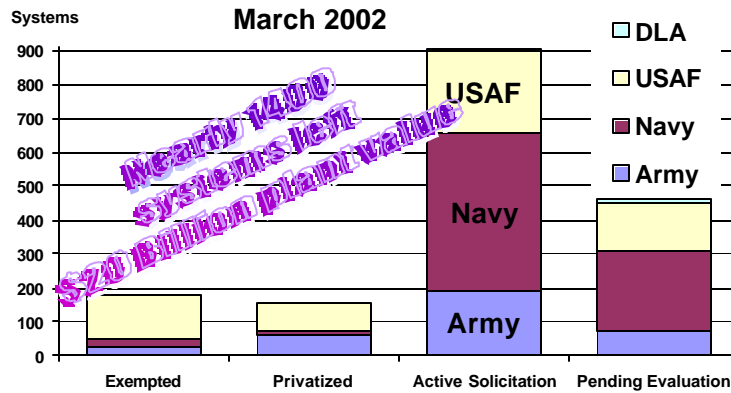
## *Potential Win-Win*

- **Tremendous potential for cost avoidance**
- **Example: Gas system required upgrade**
  - **Local utility accomplished upgrade at lowest cost**
    - Private sector efficiencies
    - Private sector financing
  - **Utility will sustain system at industry standards**
    - Costs covered in utility bill
    - Installation avoids utility O&M and future repair projects
- **Utility obtained new long term partner**
- **Installation can budget for better service**

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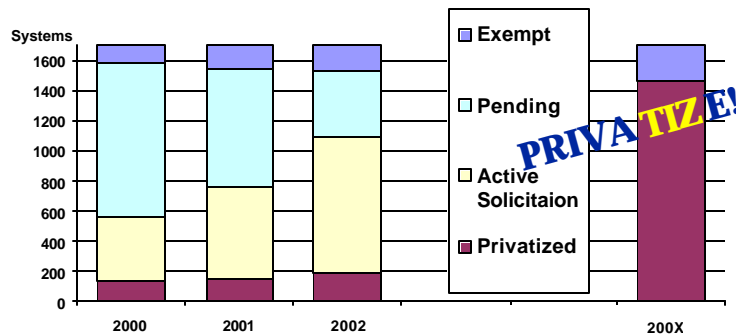
## Execution Status



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## Execution Goal



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## *Achieving Success*

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- **Consistent Economic Analysis**
- **Federal Taxes**
  - **Contribution in Aid of Construction (CIAC)**
  - **Federal Corporate Tax**
- **Format of Requests for Proposals (RFPs)**
- **Other Issues**

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## *Service Execution*

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- **Air Force (Prescriptive RFPs)**
  - Proceeding with 242 pathfinder systems
  - Air Force Contracting Offices or DESC
- **Army (Prescriptive RFPs)**
  - Strong leadership support for aggressive program
  - Decentralized to installations.
    - Contracting performed by Corps of Engineer District Offices or DESC
- **Department of Navy (Performance based RFPs, more flexibility)**
  - Bundling multiple systems and locations
  - Most contracting performed by Naval Facilities Engineering Command
    - Center of Expertise (East and West Coast)

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## *Next Steps*

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- **Request for Proposals continue to improve**
- **Websites contain schedule for release of solicitations and closing dates**
- **Much progress during next 12 months**
- **Outstanding opportunity for beginning long term partnership**

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## *UP Overview*

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### **Questions?**

Also appearing  
Policies, Programs and Partnerships Track  
Policies That Drive Your Day,  
Tuesday, Session 3; 9:00 – 10:30

<http://www.acq.osd.mil/ie/>

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